

OMB Circular No. A-76 - Revised Supplemental Handbook (March 1996)
Part II - Preparing the In-House and Contract Cost Estimates

Chapter 5--Streamlined Cost Comparisons for Activities with 65 FTE or Less.

A. General

1. This chapter provides procedures that may be used when the Government determines that a simplified cost comparison will serve the equity and fairness purposes of Circular A-76 for conversion to or from in-house, contract or interagency support agreement (ISSA). The methodology is limited to activities that meet the following criteria:

- a. possible conversion to or from in-house, contract or ISSA performance involving 65 full-time equivalent (FTE) or less;
- b. activities that will compete largely on a labor and material cost basis such as, but not limited to, custodial, grounds, guard, refuse, pest control, warehousing and maintenance services;
- c. activities for which significant capital asset purchases are not required or for which all equipment requirements will be Government Furnished/Contractor Operated (GOCO);
and
- d. activities that are commonly contracted by the Government and/or private sector, e.g., there are not less than four comparable agency contracts of the same general type and scope and the range of the existing service contract costs are reasonably grouped.

2. In no case, shall any commercial activity involving 66 or more FTE be modified, reorganized, divided or in any way changed for the purpose of circumventing the requirements of this section or other procedures of this Supplement.

3. A Streamlined Cost Comparison Form (SCCF) is provided at Illustration II-2.

B. Procedure

1. The streamlined A-76 cost comparison process assumes that the activity being considered is regularly performed by contract. Thus, it assumes that existing fixed price contracts can be used, with only minor modification, to define the scope of the competition and to avoid the need for the development of a new or original Performance Work Statement (PWS) or a formal solicitation.

2. The employee participation and notification provisions of Part I apply.

3. The Government will base its in-house costs on the current organization.

4. The Government's in-house Labor and Material costs (Lines 1 and 2 of the Generic A-76 Cost Comparison Form) will be calculated in accordance with Chapter 2 of this Part. Overhead costs will be calculated as provided by Chapter 2 of this Part for Line 4. Any contract support costs normally included in Line 5 of the GCCF will be calculated. No other in-house costs will be calculated. The provisions for an Independent Review apply. Upon acceptance by the agency's A-76 IRO, the in-house cost estimate will be sealed and submitted to the contracting officer.
5. Upon receipt of the in-house cost estimate, the contracting officer will develop a range of contract cost estimates, based upon not less than four comparable service contracts or ISSA offers. Adjustments for differences in scope may be necessary. The contracting officer is not required to issue a solicitation for bids from the private sector. If, however, the contracting officer finds that four comparable contracts or ISSA offers are not available, the contracting officer may issue a solicitation for bids and the agency may conduct a cost comparison as otherwise provided by this Supplement.
6. At cost comparison, the in-house cost estimate will be compared with ISSA offers and the range of estimated contract costs developed by the contracting officer. The range of estimated contract costs will then be adjusted for the cost of contract administration (limited to Table 3-1) and Federal tax impacts. In calculating the Adjusted Total Costs, the minimum conversion differential shall be added to the total cost of contract or ISSA performance if the cost comparison is being conducted to determine if an activity should be converted from in-house operation to contract or ISSA performance. If the comparison is being conducted to determine if an activity should be converted from contract or ISSA performance to in-house operation, the differential is added to the total cost of in-house performance.
7. If the Government's Adjusted Total In-house Cost estimate is greater than the range of Adjusted Total Contract or ISSA Cost estimates, the contracting officer will announce a tentative decision to contract or enter into an ISSA. Upon notification of adversely affected Federal employees and publication of this tentative decision in the Commerce Business Daily, the A-76 Administrative Appeal process outlined in this Supplement will be initiated. With the A-76 Administrative Appeal Authority's confirmation of all costs entered on the SCCF and certification of the reasonableness of the contract and ISSA pricing adjustments made by the contracting officer, the contracting officer will solicit for award to contract or ISSA performance. The Right-of-First-Refusal will be offered to employees adversely affected by the award.
8. If the Government's Adjusted Total In-house Cost estimate is below or within the range of Adjusted Total Contract or ISSA Cost estimates, the contracting officer will announce a tentative decision that the activity will be performed in-house. Again, upon notification of Federal employees and publication of the tentative decision in the Commerce Business Daily, the A-76 Administrative Appeal process will be initiated.
9. Activities to be performed or retained in-house as a result of a streamlined cost comparison should be submitted to Post-MEO Performance Review, in compliance with this Supplement. This recognizes that, for retained activities, the existing organization is assumed to be the MEO and no management plan is required.

ILLUSTRATION II-2

THE STREAMLINED A-76 COST COMPARISON FORM (SCCF) (LIMITED TO 65 FTE OR LESS)

IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE

	Performance Periods					
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Add'l</u>	<u>Total</u>	<u>Reference</u>
<u>In-House Performance</u>						
1. Personnel						
2. Material						
3. Overhead						
4. Other						
5. Total In-House	_____	_____	_____	_____	_____	_____
<u>Contract or ISSA Performance</u>						
6. Contract and ISSA Price Range						
7. Contract Administration						
8. Federal Taxes (-)						
9. Total Contract and ISSA Price Range	_____	_____	_____	_____	_____	_____
<u>Decision</u>						
10. Minimum Conversion Differential					_____	
11. Adjusted Total Cost of In-house Performance					_____	
12. Adjusted Total Cost of Contract or ISSA Performance					_____	
13. Cost Comparison (Line 12 minus Line 11)					_____	
14. Cost Comparison Decision:						
Perform In-House					_____	
Convert to Contract or ISSA					_____	

THE STREAMLINED A-76 COST COMPARISON FORM (SCCF)
(LIMITED TO 65 FTE OR LESS)

15. In-House Cost Estimate Prepared By: _____ Date: _____

16. Independent Reviewer: _____ Date: _____

Office and Title:

"I certify that I have reviewed the proposed contract, in-house and ISSA cost estimates and contract prices and find them to be reasonable and calculated in accordance with the principles and procedures of Circular A-76 and its Supplement.

17. Cost Comparison Completed By: _____ Date: _____

18. Contracting Officer: _____ Date: _____

19. Tentative Cost Comparison
Decision Announced By: _____ Date: _____

20. Appeal Authority (if applicable): _____ Date: _____